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The corporation immediately made the necessary adjustments by dumping large quantities of all the various goods on the market. Prices dropped sharply. Cotton yarn was 30,000 yuan per bundle; but after the corporation dumped the goods on the market, the price dropped to 26,000 yuan on the first day. On the second day, the corporation dropped the price to 23,000 yuan and, again, the market followed suit. Later, in November 1949 and February 1950, there were several occasions when prices threatened to rise. The corporation adopted appropriate measures each time to prevent prices from rising, or else permitted only a slight rise.

In March 1950, prices on all types of commodities dropped sharply all over the country as a result of the centralized control of financial and economic affairs. But in Urumchi, capital of Sinkiang, a bad inflationary tendency persisted. This was caused by the lack of modern communication and of adequate means to disseminate information concerning commercial conditions in other cities. However, the corporation again gained control over the market.

On the basis of the Urumchi price index at the end of December 1949, the index in January 1950 was 74.23; in February it was 108.20; in March it was 133.70. After the corporation dumped large quantities of goods on the market in April 1950, the price index dropped to 108.90. For the benefit of the masses, the company tried to prevent prices from rising. At the same time, to protect the interests of the producers, the company tried to prevent prices from dropping too much.

After the financial and economic affairs of the nation were placed under centralized control, the price of some commodities became even lower than the cost of production. It was therefore necessary for the corporation to keep the official prices stable for a period of time by purchasing a certain amount of goods. For instance, in May and June 1950, when prices were extremely low, the corporation at Sian spent 18.3 billion yuan to purchase provisions, cotton cloth, cotton, and other blocked commodities.

Before Sian was liberated, most factories were virtually closed due to the exploitation and propaganda of Chiang Kai-shek and Hu Tsung-nan. After the liberation of Sian, the state-operated cotton prints corporation took an active part in negotiating commodity contracts with the Ta-hua and Shen-hsin factories, which owned 60 percent of the spindles and 90 percent of the looms in the Northwest. The corporation supplied these two factories with raw cotton and sold their products. In August 1950, this corporation ordered from Ta-hua 30,000 bolts of fine cotton cloth, 10,000 bolts of coarse cotton cloth, 500 sales of 20-gauge cotton yarn, and 125 bales of 16-gauge cotton yarn, and supplied 821,250 catties of raw cotton to Ta-hua. The corporation also ordered from Shen-hsin 5,000 bolts, each, of fine and coarse cotton cloth, and 1,030 bales of 20-gauge cotton yarn, and supplied 612,500 catties of raw cotton to Shen-hsin. Thus these two factories quickly resumed operations.

In Sian alone, from May to August 1950, the corporation farmed out 312,500 bags of flour for processing and supplied 16,000 piculs of raw cotton for outside processing into cloth. The corporation also farmed out orders to the hand-weaving industries to produce more than 59,000 bales of coarse canvas and 10,000 bales of lining material, in addition to another order for more than 25,000 bags of flour. At Lan-chou, the corporation farmed out orders for 1,298,100 catties of flour. By purchasing large quantities of local products and raising the prices of agricultural products, state trade agencies raised the masses' interest in the production race.

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For example, the Tsinghai Local Products Corporation paid Huang-yuan farmers about 90 million yuan for medicinal herbs. This amount of cash was sufficient to buy 987 piculs of wheat to support 1,795 people for a month. As a result, secondary products enterprises everywhere began to flourish. The corporation adjusted the price of wool from 1,450 yuan per catty in January to 7,500 yuan in August 1950. This represented more than a fourfold increase. At the same time, the prices of bolt cloth and other manufactured goods dropped 45 percent in March. In 1950, about 5 million catties of wool were shipped out of Tsinghai Province. Investments in the province amounted to 3.4 billion yuan. Since the price of wool was rising while the price of other goods was dropping, the buying power of the people in Tsinghai actually increased to 20 billion yuan.

Incomplete statistics show that from January to July 1950 various state-operated corporations in Kansu Province sold more than 80,000 bolts of cotton cloth and, in Ningsia Province, more than 20,000 bolts. In Shensi and Tsinghai provinces, they sold even more.

The commercial center of Sinkiang Province is Urumchi, whose local exports and imports amounted to more than 900 tons. In addition, more than 3,800,000 catties of provisions and 230,000 bolts of cotton cloth were sold. Some of this cotton cloth was produced in the Northwest and some was shipped in from other places. Exports from the Northwest included more than 7 million catties of wool, 78,000 hides, 110,000 bunches of sausage casings, 210,000 catties of hog bristles, 1,600,000 piculs of pharmaceutical materials, and 2,440,000 catties of tung oil. The total value of these items would equal that of more than 400,000 bolts of cotton cloth. Cotton exports to East China and the Southwest were as much as two thirds of China's total production.

State trade agencies, however, were still unable to take full responsibility in directing market affairs. In many places, particularly in minority districts where there are few cadres and the languages spoken are dissimilar to the Chinese language, the merchants who visited the rural areas sold their tea, cotton cloth, and brown sugar to the inhabitants at high prices, making great profits. Merchants bought cotton cloth in Lan-chou for 12 yuan per bolt and, after transporting it to Lo-tu, Tsinghai, sold it for 34 yuan per bolt, making more than 100 percent profit. Then the merchants tried to purchase wool and other farm products at very low prices. Therefore, the corporation has received requests from different places to set up trade stations.

Another drawback to the trade in the Northwest is the fact that the minority tribes are unable to read Chinese and are not willing to accept paper money issued by the Central People's Government. They regard silver yuan as the principal medium of trade and they practice the barter system as an alternative. These conditions have complicated the work of extending trade to the rural areas.

For example, the state trade agencies which were assigned to purchase fur had to use the government currency, while private merchants were free to use silver yuan. This gave the merchants an opportunity to exploit the people in the rural areas. In addition, the state trading system had other shortcomings; its price policy prevented goods from circulating smoothly. In May 1950, sheep casings cost 15 Sinkiang yuan each at I-li, Sinkiang Province, while at Urumchi they cost 18 Sinkiang yuan. This caused an influx of sheep casings from I-li to Urumchi.

The trade corporation at A-k'o-su, Southern Sinkiang, fixed the official purchase price of wool at only 800 yuan per 100 catties, while the trade corporation at Urumchi had to fix it at 1,400 yuan. These shortcomings in the distribution of materials reflect the need for better administration. Consequently, the corporation has made a survey of the problem and decided to overcome the difficulties by adjusting relations between public and private interests.

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